



## Hilcorp Alaska, LLC

3800 Centerpoint Drive  
Suite 1400  
Anchorage, AK 99503

Phone: (907) 777-8414  
Fax: (907) 777-8301  
mschoetz@hilcorp.com

April 3, 2018

Ms. Chantal Walsh, Director  
Oil and Gas Division  
Alaska Department of Natural Resources  
550 W. 7<sup>th</sup> Avenue, Suite 1100  
Anchorage, AK 99501

### **2018 PLAN OF DEVELOPMENT FOR THE MIDDLE GROUND SHOAL UNIT**

Hilcorp Alaska, LLC (“Hilcorp”), as Operator of the Middle Ground Shoal Unit (“MGSU”), hereby submits the 2018 Plan of Development for the MGSU (“2018 POD”) to the State of Alaska, Department of Natural Resources (“DNR”), pursuant to 11 AAC 83.343.

On June 7, 2017, DNR approved the 2017 Plan of Development and Operations (“2017 POD”) for the MGSU, submitted by Hilcorp. The 2017 POD was approved for the period of June 1, 2017 through May 31, 2018.

#### **I. PERIOD**

This plan will be effective from June 1, 2018 through May 31, 2019. The 2019 POD will be submitted on or before April 1, 2019.

#### **II. 2017 ANNUAL REPORT**

The following is Hilcorp’s annual report of the 2017 POD pursuant to 11 AAC 83.343 (d):

##### **A. 2017 Middle Ground Shoal Unit Development Activities:**

- 1. Production Summary:** During the 2017 POD period, Hilcorp anticipated maintaining and enhancing production based on the results of the In-Line Inspection (“ILI”) program.
- 2. Drilling Program:** During the 2017 POD period Hilcorp anticipated drilling three rotary sidetrack wells from Platform C, including the C-23-26RD, C-33/26RD and C-34-26RD wells. The drilling of these wells would be contingent upon positive results of the (“ILI”) program of the pipelines that run between Platforms A and C, and to the shore.
- 3. Workover Program:** Hilcorp did not anticipate any rig workover operations during the 2017 POD period.
- 4. Surface Facility Operations:** During the 2017 POD period Hilcorp anticipated the following upgrades/operations to the below platforms:

- a) **Platform A:** No upgrades/repairs were anticipated

- b) **Baker Platform:** No upgrades/ repairs were anticipated
- c) **Platform C:** No upgrades/repairs were anticipated
- d) **Dillon Platform:** No upgrades/repairs were anticipated

5. **In-Line Inspection Program:** Due to a fuel gas supply pipeline disruption Hilcorp entered into a negotiated consent agreement with the U.S. Pipeline and Hazardous Materials Safety Administration (“PHMSA”). Hilcorp committed to implementing a comprehensive ILI program on the gas and oil pipelines that run from Platform A to the East Foreland Production Facility, as well as the liquid line between Platforms A and C. Based on the results from the inspection program, Hilcorp would complete any necessary pipeline repairs.

**B. 2017 POD Development Plans Achieved:** The extent to which the requirements of the previously approved plan were achieved is as follows:

1. **Production Summary:** From January 1, 2017 through December 31, 2017 Hilcorp produced 308.649 thousand barrels (“MBBL”) of oil<sup>1</sup> and 83.153 million standard cubic feet (“MMSCF”) of gas from the MGSU.
2. **Drilling Program:** During the 2017 POD period Hilcorp did not execute any grass roots or sidetrack operations.
3. **Workover Program:** During the 2017 POD period Hilcorp did not execute any workover operations.
4. **Surface Facility Operations:** During the 2017 there were no facility upgrades or repairs performed on any of the MGS Platforms. However, on the Baker Platform Hilcorp did perform a Platform Subsea Jacket Inspection as part of its structural integrity management program for fixed offshore structures.
5. **In-Line Inspection Program:** As anticipated, Hilcorp performed an ILI program on the gas and oil pipelines that run from Platform A to shore, as well as the liquid line between Platforms A and C. Based on the results of the ILI program, Hilcorp performed the following repairs to its pipelines:
  - a) **“A” Gas Line:**
    - Gas Leak Repair permanent clamp installed – Completed in May
    - Abrasion coating installed – Completed in October
    - Permanent clamp installed – Completed in October
  - b) **“B” Oil Line:**
    - Permanent clamp installed – Completed in October

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<sup>1</sup>Combined production from all four platforms (A, Baker, C and Dillon)

**C. 2017 Development Plans Not Achieved:** The following are actual operations that deviated from or did not comply with the previously approved plan:

- 1. Drilling Program:** Due to Platform C being shut in, the anticipated sidetracking of the C-23-26RD, C-33-26RD and C-34-26RD wells were cancelled.

### **III. 2018 PLAN OF DEVELOPMENT**

The following activities included in this 2018 POD follow the outline provided in 11 AAC 83.343 (a) and incorporate all planned development activities anticipated based on all data reasonably available at this time.

**A. Long-Range Development Activities:** The following are long-range proposed development activities for the MGSU, including plans to delineate all underlying oil or gas reservoirs into production, and maintain and enhance production once established:

- 1.** Hilcorp will perform an economic evaluation on reactivation of the drilling rigs on Platforms A and C. If economic hurdles are met, Hilcorp plans to reactivate drilling rigs and workover several wells on each platform. This would include updating completion designs, squeezing water producing intervals, adding perforations and repairing damaged wells. While this work is being performed, drill prospects are going to be compiled and reviewed. If these prospects pass economic metrics they could be drilled during as soon as the 2019 POD period.
- 2.** Hilcorp is currently interpreting all new and reprocessed seismic volumes to delineate the MGS structure for future drill opportunities from all platforms. This includes infill drill locations and step out exploration tests.

**B. Exploration/Delineation Plans:** The following are plans for the exploration or delineation of any land in the MGSU not included in the participating area:

- 1.** During the 2018 period Hilcorp does not anticipate any exploration or delineation operations.

**C. Proposed Operations:** The following are details of the drilling, sidetrack or workover operations that Hilcorp plans to conduct during the effective period of this POD:

**1. Platform A:**

- **Drilling:** No drilling operations anticipated.
- **Workovers:** Hilcorp will evaluate and implement workover and well intervention operations as necessary in order to maintain and enhance production.

**2. Baker Platform:**

- **Drilling:** No drilling operations anticipated.
- **Workovers:** No drilling operations are anticipated.

**3. Platform C:**

- **Drilling:** No drilling operations anticipated.
- **Workovers:** Hilcorp will evaluate and implement workover and well intervention operations as necessary in order to maintain and enhance production.

**4. Dillon Platform:**

- **Drilling:** No drilling operations anticipated
- **Workovers:** No workover operations anticipated

**D. Surface Location of Proposed Facilities:** The following are the surface location of proposed facilities, drill pads, roads, docks, causeways, material sites, base camps, waste disposal sites, water supplies, airstrips and any other facility necessary for unit operations:

**1. Platform A:**

- Perform Platform Subsea Jacket Inspection
- Perform subsea brace clamp bolt inspection/repair
- Perform Platform Leg/Wrap inspection/repair

**2. Baker Platform:**

- Perform Leg/Wrap inspection/repair

**3. Platform C:**

- Perform Leg/Wrap inspection/repair

**4. Dillon Platform:**

- No upgrades or repairs anticipated

Your approval of this proposed POD is respectfully requested. Hilcorp believes that this 2018 POD satisfies the requirements of 11 AAC 83.343 and is in compliance with the provisions of 11 AA 83.303. Should you have questions, please contact the undersigned at 777-8418.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael W. Schoetz".

Michael W. Schoetz, Landman  
Hilcorp Alaska, LLC

cc: Kevin Pike, Division of Oil and Gas (via email)